

CLAIMS

1. A method of operating a financial instrument associated with a company, the method including:
- 5 establishing the financial instrument to include a first claim on the company at a first seniority level, the financial instrument being associated with a predefined future time period and with one or more specified events which the company may experience during the period;
- 10 upon one of the specified events occurring during the period, transforming the first claim being transformable to a predefined second claim having a second seniority level lower than the first seniority level.
2. A method according to claim 1 in which the specified events are any one or more of the following operating events (i) staff and organisational problems, (ii) 15 problems in relationships with counterparts to contracts or other commercial arrangements, (iii) technology problems, (iii) external environment problems, and (iv) natural disasters.
3. A method according to claim 1 or claim 2 which upon an event occurring 20 which is alleged to be one of said specified events, a referral is made to an independent party to verify that a qualifying event has indeed occurred, said transformation only being permitted if this verification is positive.
4. A method according to claim 1, claim 2 or claim 3 in which the second claim 25 depends upon a value associated with the specified event which has occurred.
5. A method according to claim 4 in which the difference in respective values of the first and second claims is a function, such as a linear function, of the value associated with the specified event which has occurred.
- 30 6. A computer-based method of establishing a value of an instrument associated with a company and including a first claim on the company at a first seniority level, the financial instrument being associated with a predefined future time period and

10096578.031402

with one or more events which the company may experience during the period, upon one of the specified events occurring during the period the first claim being transformable to a predefined second claim having a second seniority level lower than the first seniority level;

- 5 the method including obtaining a statistical model of the likelihood of occurrence of the specified event or events, and deriving the value of the instrument using the statistical model and respective values of the first and second claims.

7. A computer system for establishing a value of an instrument associated with a
10 company and including a first claim on the company at a first seniority level, the financial instrument being associated with a predefined future time period and with one or more events which the company may experience during the period, upon one of the specified events occurring during the period the first claim being transformable to a predefined second claim having a second seniority level lower than the first
15 seniority level;

 the system being arranged to receive a statistical model of the likelihood of occurrence of the specified event or events, and derive the value of the instrument using the statistical model and respective values of the first and second claims.

1096678.031402